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Statement of Rep. Carolyn Maloney
Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises
June 25, 2003
“GSE Oversight”

Oversight of the GSEs is one of the most important issues over which the Financial Services Committee presides. These institutions are pillars of our housing system and millions of our constituents benefit from the liquidity they provide our lending institutions.

At the same time, the recent events at Freddie Mac are deeply troubling. While the company's new leadership is trying to repair the damage – the reality of the accounting and corporate governance shortcomings that occurred at the company are unsettling given size of the institution.

I joined this Committee just as the country was emerging from the S&L crisis. Because of this experience, I regard Congressional oversight of the safety and soundness of the financial services industry as our most important responsibility.

In this regard, I have long supported efforts to provide more resources to the Office of Federal Housing Enterprise Oversight (OFHEO). While OFHEO has enjoyed budget increases in recent years, it is still subject to the appropriations process which clearly weakens its independence. Last year, along with Rep. Ken Bentsen, Chairman Baker, and Ranking Member Kanjorski, I cosponsored legislation to remove the agency from the appropriations process – and I believe strengthen its hand. As a point of history, any examination of OFHEO must also note that it took years longer than it should have for the agency to promulgate its risk-based capital rule.

Despite these shortcomings in OFHEO's past, I do believe in taking a deliberate and thorough approach to legislating major changes to our nation's housing markets. Before acting we need to know exactly what happened at Freddie Mac and whether it represents a one time occurrence or larger problem.

The U.S. mortgage market is the best in the world. As we all know, in the current low interest rate environment mortgages are being refinanced a record rate that would be impossible without automation from laws like the FCRA and our incredibly successful mortgage finance system. The *Washington Post* detailed the impact that the ability to refinance so easily is having on the economy in a June 8, article. The article stated that:

- Since 2001, banks will have processed more than 27 million mortgage refinances by the end of this year
- Out of those, homeowners will have converted more than \$ 270 billion of home equity into cash, either to spend or convert high-interest debt into very low interest loans
- At least another \$ 20 billion was freed up in lower monthly mortgage payments
- In total, since 2001 refinancing will have delivered about \$ 300 billion directly to consumers who will have more money to spend and pump up the economy.

That is in comparison to the \$263 billion that the Bush tax cuts of 2001 and 2003 will have put in the economy by year's end.

I thank the Chairman for calling this hearing and to working with the Subcommittee to make sure our housing system remains preeminent in the world.